

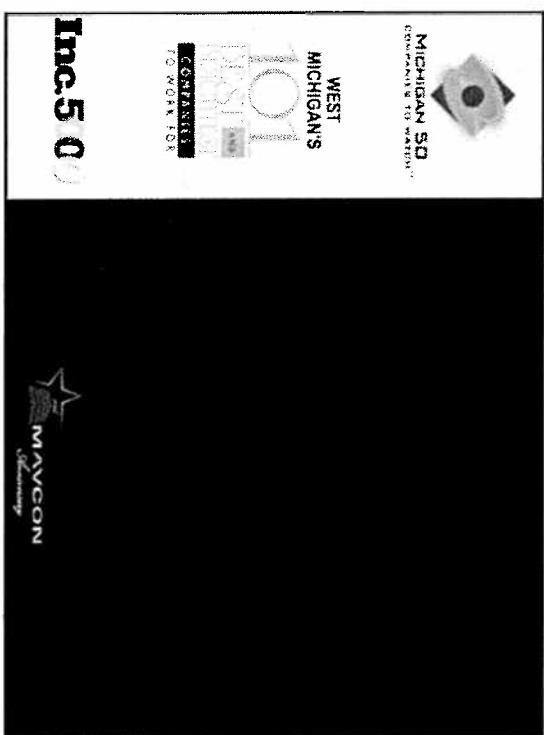
7 Steps to Incentive Packaging

1. Identify the right project
2. Assemble the right team
3. Calculate the cost
4. Determine your risk tolerance
5. Identify available incentives
6. Secure financing
7. Close & Execute



Economic Development Incentive Consultants
Governmental Affairs Consultants
Construction Pre-Development Consultants

www.thembaconsultants.com



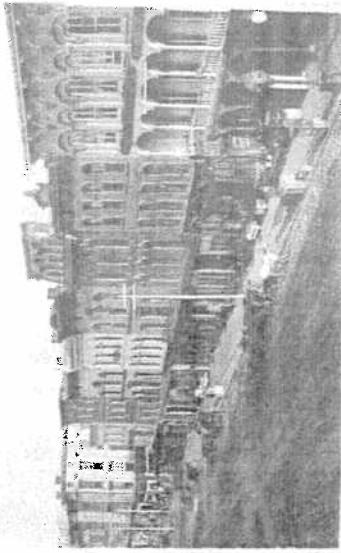
Downtown Development Projects

- 232 W. Michigan Ave
 - First renovation project – involving a 1970's office building
- Other downtown opportunities?
 - 100 Block E. Michigan Ave.

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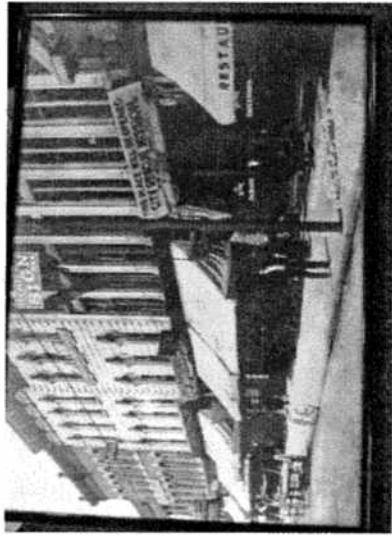
100 Block History



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100 Block History



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Historical Details

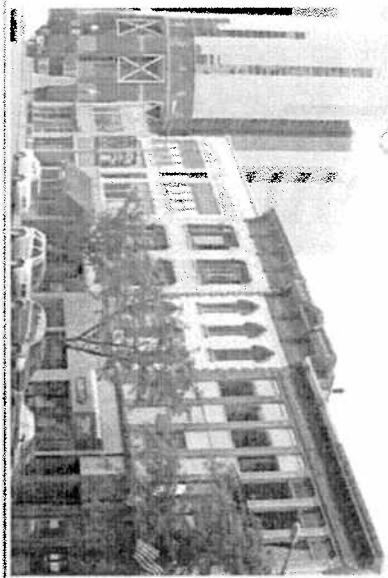
• Historical center of downtown Kalamazoo

- Home to many businesses:
 - Bars
 - Saloons
 - Restaurants
 - Cigar Manufacturers
 - Hotel
 - Residential units

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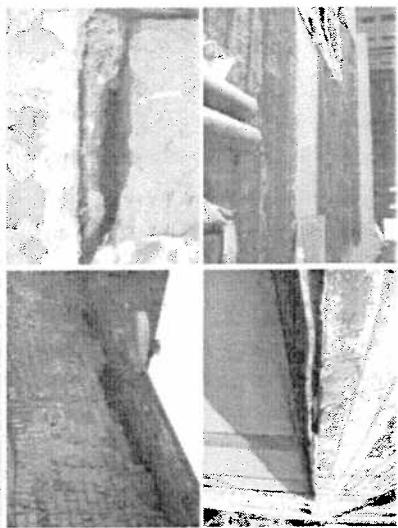


Building Condition



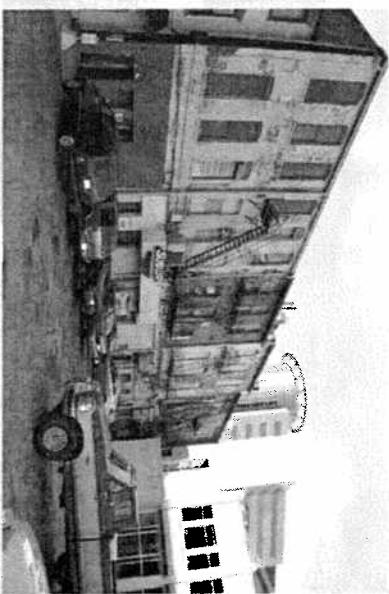
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Building Condition



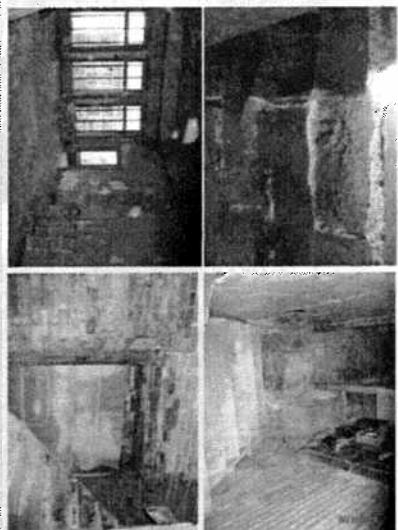
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Building Condition



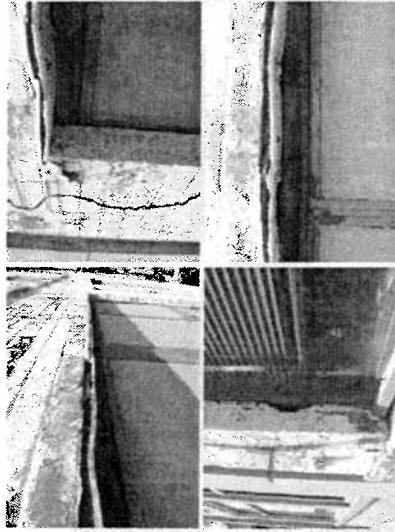
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Building Condition



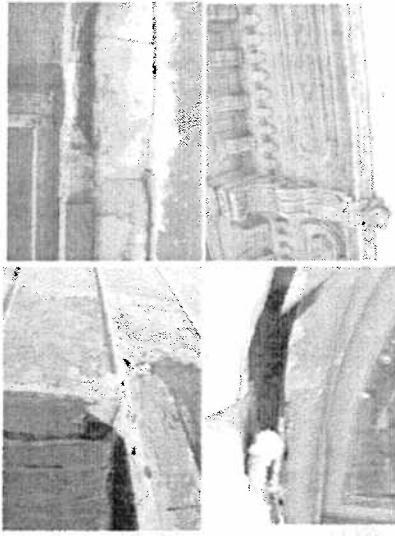
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Building Condition



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Building Condition



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Bricks found at 232 W Michigan Avenue to be used at 100 Block redevelopment



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Metropolitan Center Redevelopment Plan

- Mixed-use development
- 20 new market rate residential apartment units
 - 4 new workforce housing units
- 11,000 square feet of renovated "class A" retail space
- LEED Certification

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Terra Roof

Fully integrated roof system

Key Features

- ✓ Turnkey System
- ✓ Lightweight
- ✓ New construction or retrofit
- ✓ Fully installed
- ✓ Cost efficient
- ✓ Flexible modular units
- ✓ Sustainable appearance
- ✓ Pre-vegetated



WIND LOAD

WATER HOLDING

WIND LOAD

WATER HOLDING

- ✓ Sustainable Benefits
- ✓ Reduced storm water runoff
- ✓ Reduced heat island effect

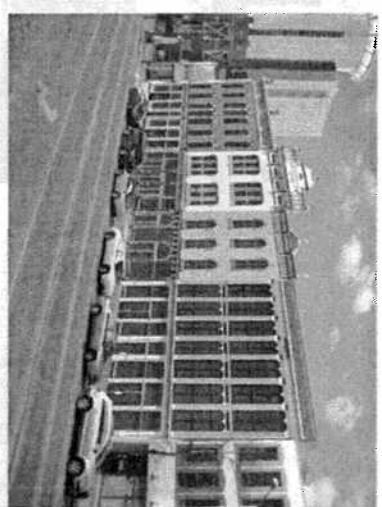
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Green Design Elements

- Partial Green Roof – Terra Roof
- Geothermal Heating and Cooling
- Solar Panels
- Consumer's Energy Pilot Project
- First Electric Car Charging Station in Kalamazoo
- Project to be LEED Certified

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Renderings

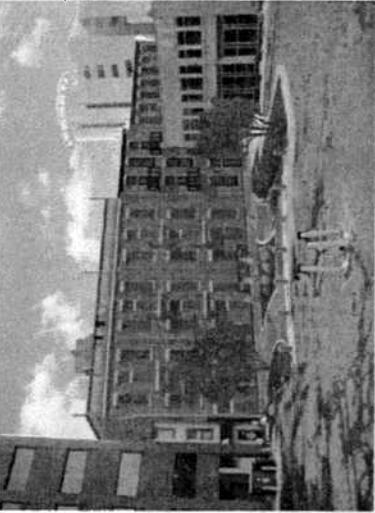


Community Benefits	
• Creates jobs for Downtown Kalamazoo	
• Creates tax revenue	
• Displays a successful redevelopment of properties by those organizations involved	
• Creates a new urban neighborhood needed for a vibrant and sustainable 24 hour city	
• Provides a diverse residential option of renting	
• Increases downtown commerce for local businesses	
• Provides additional retail services for downtown patrons	
• Provides additional space for retailers to participate in downtown commerce	
• Redefines the skyline of the city	
• Saves the historic structures for the Kalamazoo Community	
• Greatly increases the momentum of the Kalamazoo Redevelopment	

Renderings	

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Renderings



Renderings



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Development Partners

- Downtown Kalamazoo, Inc (DKI)
- Downtown Tomorrow, Inc (DTI)
- Kalamazoo Downtown Development Authority (DDA)
- City of Kalamazoo
- Economic Development Corporation
- Community Development Authority
- Brownfield Redevelopment Authority
- Kalamazoo County
- Kalamazoo Community Foundation
- Michigan Economic Development Corporation (MEDC)
- Michigan State Historic Preservation Office (SHPO)
- Local Initiatives Support Coalition (LISC)
- Michigan Historic Preservation Network (MHPN)

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Lasagna Financing

- Development cost greatly exceeds market value
- Total development cost: \$11.3 million
- Anticipated market value : significantly less
- Multiple public sector incentives are needed to make this a viable project
- Navigating numerous financial layers is the challenge

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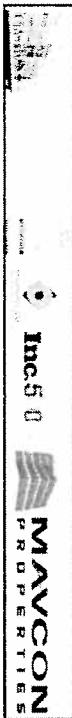
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Downtown Kalamazoo, Inc

Downtown Tomorrow, Inc

Kalamazoo DDA

Collectively known as "The D's"



The "D's" Commitment

Financial

- DDA Façade TIF - \$518,000
- Brick repair, painting, new windows, retail storefronts, etc.
- DDA Building Improvement TIF - \$460,000
- Public infrastructure and streetscape improvements around the project.



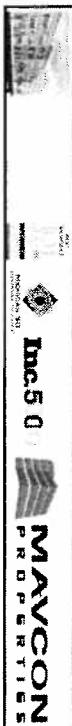
The "D's" Commitment

Planning

- The "D's", with the financial assistance of the Kalamazoo Community Foundation acquired the properties in 2000 to secure a comprehensive redevelopment of the properties.

- The 100 Block properties redevelopment identified as the number one transformative project in the DDA development plan.

- The Ds organized the project team with frequent meetings between project stakeholders.



City of Kalamazoo

- Brownfield Redevelopment Authority
- Brownfield Plan – Functionally Obsolete
- TIF Reimbursement of Demolition, Lead & Asbestos Abatement & public infrastructure costs: \$200,000
- EPA Site assessment grant - \$25,000
- Community Development HOME funds - \$400,000
- Creation of 4 income qualified apartments
- Utility Reimbursement Grant - \$101,000
- Relocation of public utilities to the development
- EDC Loan - \$400,000
- Building renovations



Municipal Requests

- Vacation of Whiskey Alley
- Sale portion of Public Parking lot (Lot 9)
- 30 parking spaces within lot 9
- East Michigan Streetscape improvements
- Whiskey Alley / Lot 9 Streetscape improvements
- Utility extensions from Water Street
- Expansion of Haymarket Historic District
- National Register of Historic Places nomination



Kalamazoo County

- County agreed to allow the City to administer their funds, eliminating repetitive oversight of the project.
- EDC Grant - \$100,000
 - Public Infrastructure improvements
- EDC Loan - \$100,000
 - Building renovations
 - Funds to be administered by City BRA



Kalamazoo Community Foundation

- Agreement to hold KCF harmless.
- Questionable if the market would support the agreed upon purchase price.
- Building acquisition financing - \$1,500,000
 - \$250,000 payment at closing - \$1,250,000 long term debt.
 - No payments for 15 years
 - 1.5% interest rate



Michigan Economic Development Corporation (MEDC)

- Brownfield MBT credit - \$1,118,530
 - Urban Development Area Project Designation
 - 20% of Eligible investment
 - Mixed-use
 - Green
 - Increases density via multi-story development
 - Area-wide redevelopment of Multiple Parcels
 - Underserved market of commerce
- Urban Revitalization 2.0 Grant - \$100,000
 - Façade renovations.



State Historic Preservation Office

(SHPO)

- Federal Historic Tax Credit- \$1,349,679
- 20% of Qualified Rehabilitation Expenditures
- State Historic Tax Credit - \$337,419
- Standard Credit – 5% of QREs
- Enhanced State Historic Tax Credit- \$674,840
 - Competitive funding round
 - Approval for 10% of QREs



Michigan Historic Preservation Network (MHPN)

- State Tax Credit Investor
- The project is able to defer the federal income tax consequences of selling the state tax credits as a result of MHPN's non-profit mission of redeveloping historic buildings.



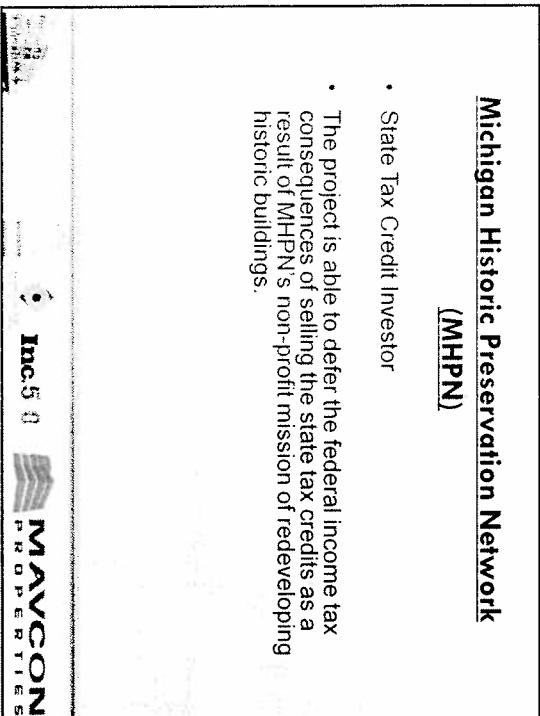
Local Initiatives Support Corporation (LISC)

- New Markets Tax Credit Allocatee
- \$10.5 million of NMTC investment authority
- Will generate approximately \$2,784,600 of equity to the deal
- PNC is our federal credit investor.



Bridge financing & Time Value of \$\$

- Incentive approval amount does not equal value to deal
 - TIF dollars taken over a number of years must be financed through conventional sources
 - Tax Credits must be sold to generate equity
 - Credits are not generated until after construction so bridge financing is also required
- Bottom line – Banks are still critical to the deal.



Lessons Learned

1. Build a great team
2. Engage all stakeholders regularly
3. Leave no stone unturned
4. The process will take longer than you think – START EARLY!
5. Be flexible



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Questions?

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